

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

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O R 121645Z JUN 74

FM AMCONSUL JERUSALEM

TO SECSTATE WASHDC IMMEDIATE 5825

AMEMBASSY CAIRO IMMEDIATE

INFO AMEMBASSY TEL AVIV

S E C R E T JERUSALEM 1273

EXDIS

CAIRO FOR PRESIDENT'S PARTY FROM VELIOTES

EKJUO. 11652: GDS

TAGS: EFIN, IS

SUBJECT: ISRAELI AID REQUESTS

1. IN APPARENT PREVIEW OF GENERAL LINE

ISRAELIS WILL

TAKE WITH PRESIDENT RE AID, PRIME MINISTER RABIN AND DIRECTOR
GENERAL OF FINANCE MINISTRY (AVRAHAM AGMON) MADE FOLLOW-
ING COMMENTS TO SENATOR GALE MCGEE AND EMBOFF JUNE 12

2. RABIN VOLUNTEERED FOLLOWING REMARKS ON

ISRAEL'S ECONOMIC PROBLEMS:

(A) ISRAEL DEVOTED 50 PERCENT OF ITS GNP TO DEFENSE LAST
YEAR;

(B) ISRAEL HAD ADVERSE BALANCE OF PAYMENTS OF \$3 BILLION
LAST YEAR.

(COMMENT: BALANCE OF GOODS AND SERVICES WAS IN DEFICIT ABOUT
\$2.5 BILLION IN 1973; BALANCE OF PAYMENTS WAS IN LARGE
SURPLUS, AND ISRAEL ADDED AN ACKNOWLEDGED \$580 MILLION
TO ITS OFFICIAL RESERVES, PLUS WHATEVER HAS BEEN RETAINED
IN SEPARATE ACCOUNT.)

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(C) RATE OF INFLATION IS ALREADY BAD AND IS MADE WORSE BY

HEAVY DEFENSE EXPENDITURES AND ADVERSE BALANCES OF PAYMENTS.

3. AGMON EMPHASIZED THREE KINDS OF USG ASSISTANCE ISRAEL NEEDED:

(A) ISRAEL PROJECTS DEFENSE EXPENDITURES OF \$8 BILLION OVER NEXT TWO YEARS AND INTENDS TO REQUEST \$3 BILLION FROM USG IN SOME MIX OF GRANTS AND CREDITS TO DEFRAY FOREIGN EXCHANGE COSTS.

(COMMENT: THIS IS APPARENTLY IN ADDITION TO \$2.2 BILLION.)

(B) SOVIET REFUGEE ASSISTANCE. AGMON SUGGESTED THAT \$50 MILLION PROPOSED IN SENATE IS INSUFFICIENT IN VIEW OF COST TO ISRAEL OF \$50,000 PER IMMIGRANT FAMILY AND PROJECTED INFLUX OF 10,000 FAMILIES. ISRAEL IS THEREFORE LOOKING FOR SUBSTANTIAL HELP WITH \$500 MILLION PROBLEM.

(C) P.L. 480. AGMON POINTED TO STRAIN ON FOREIGN EXCHANGE RESERVES DUE TO HUGE INCREASE IN COMMODITY PRICES OVER PAST YEAR. GOI HOPES THAT EITHER SIZEABLE P.L. 480 PROGRAM WILL BE REINSTITUTED, OR OTHER LONG-TERM CREDITS FOR COMMODITY PURCHASES WILL BE PROVIDED.

4. IN REPLYING TO AGMON, SENATOR MCGEE WAS NONCOMMITTAL AS TO WHAT ACTION SENATE MIGHT TAKE. HOWEVER, HE NOTED RISING INFLUENCE IN CONGRESS (PARTICULARLY IN HOUSE) OF THOSE WHO OPPOSE FOREIGN ASSISTANCE IN GENERAL. AMONG OPPONENTS OF FOREIGN ASSISTANCE, HE SAID, THERE IS MARKEDLY REDUCED TENDENCY TO CONSIDER ISRAEL AN EXCEPTION.
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